

EMPLOYEE TRUST FUNDS

Budget Summary							
Fund	2000-01 Base Year Doubled	2001-03 Governor	2001-03 Jt. Finance	2001-03 Legislature	2001-03 Act 16	Act 16 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$9,983,800	\$7,774,900	\$7,233,300	\$8,083,300	\$7,233,300	- \$2,750,500	- 27.5%
SEG	<u>32,079,000</u>	<u>38,935,100</u>	<u>34,430,900</u>	<u>34,430,900</u>	<u>34,430,900</u>	<u>2,351,900</u>	7.3
TOTAL	\$42,062,800	\$46,710,000	\$41,664,200	\$42,514,200	\$41,664,200	- \$398,600	- 0.9%

FTE Position Summary						
Fund	2000-01 Base	2002-03 Governor	2002-03 Jt. Finance	2002-03 Legislature	2002-03 Act 16	Act 16 Change Over 2000-01 Base
GPR	3.50	3.50	3.50	3.50	3.50	0.00
SEG	198.35	187.85	209.85	209.85	209.85	11.50
TOTAL	201.85	191.35	213.35	213.35	213.35	11.50

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

Funding Positions		
SEG	- \$2,103,400	- 27.50

Governor/Legislature: Provide standard adjustments for: (a) turnover reduction (-\$210,300 annually); (b) removal of noncontinuing elements from the base (-\$1,364,500 and -27.5 project positions annually); (c) full funding of continuing salaries and fringe benefits (\$379,100 annually); (d) BadgerNet increases (\$3,700 annually); (e) overtime (\$47,900 annually); (f) night and weekend differential (\$75,900 annually) and (g) fifth week of vacation as cash (\$16,500 annually).

2. BENEFITS PAYMENT SYSTEM REDESIGN [LFB Paper 410]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
SEG	\$6,349,200	2.50	- \$6,155,000	1.00	\$194,200	3.50

Governor: Provide \$5,461,600 in 2001-02 and \$887,600 and 1.0 permanent and 2.5 project positions annually to enable the agency to continue the redesign of its current Wisconsin Retirement System (WRS) benefits payment system. To recognize the expected increases in internal efficiencies as a result of implementing the new benefits system, the Governor would also delete position authority for 1.0 undesignated permanent position on June 30, 2003. The Department's proposed budget erroneously deletes the position authority for 1.0 permanent position for the 2002-03 fiscal year.

The purpose of the redesign is to replace the agency's current annuity, lump sum, accumulated sick leave conversion credit and disability payment systems. The intended benefits of the redesign project are to enhance on-line access to annuity and other payment data, improve data maintenance and updating capabilities and increase the integration of agency data systems. While it is anticipated that the agency would utilize some contract programmers for the project, most of the redesign effort would be undertaken by a "consulting partner" with a significant amount of the actual specialized software development being subcontracted to "offshore" (overseas) consultants.

Of the amounts provided, \$5,364,500 in 2001-02 and \$790,500 would be budgeted in unallotted reserve to be released by DOA, once ETF has developed and submitted a detailed implementation plan for the project. Included in the amounts placed in unallotted reserve is funding for the 1.0 new permanent position (\$55,300 in 2001-02 and \$76,500 in 2002-03). The remaining \$97,100 annually and 2.5 two-year project positions under the proposal would extend expiring project positions associated with the current benefits payment system redesign effort. Funding for these continuing project positions would not be placed in unallotted reserve.

Joint Finance/Legislature: Delete \$5,364,500 in 2001-02 and \$790,500 in 2002-03 associated with the WRS benefits payment system redesign project and delay the deletion of 1.0 undesignated permanent position due to increases in internal efficiencies until July 1, 2003. Place \$2,631,200 in 2001-02 and \$2,887,300 in 2002-03 in the Joint Committee on Finance's supplemental appropriation for possible future release to ETF once the Department had developed and submitted a detailed implementation plan for the project. The fiscal effect of reserving these funds is shown under Program Supplements. Specify that the Department could seek a release of the reserved funds under a 14-day passive review mechanism.

[Act 16 Section: 9116(1mk)]

3. REDUCTION OF APPEALS BACKLOG

SEG	\$724,700
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Governor/Legislature: Provide \$301,700 in 2001-02 and \$423,000 in 2002-03 to begin implementation of a projected six-year effort to address the agency's current benefit appeals case backlog. At the end of the 1999-00 fiscal year, the agency's pending appeals caseload stood at 311.

The proposed funding would be used to: (a) contract with DOA's Division of Hearings and Appeals to provide additional examiner services (\$80,700 in 2001-02 and \$88,600 in 2002-03); (b) contract on a case retainer basis with one or more private firms to represent the agency in formal appeals (\$157,000 in 2001-02 and \$262,000 in 2002-03); (c) contract for an additional agency hearing examiner to process appeals under an expedited case review procedure (\$28,800 annually); (d) retain additional court reporter services associated with resolving backlogged cases (\$17,200 in 2001-02 and \$25,600 in 2002-03); and (e) retain an expert counsel to research specialized legal questions involving the WRS for the agency and the various retirement boards (\$18,000 annually).

Newly authorize the Secretary of ETF to settle any appeal of a determination made by the agency that is subject to review by the Employee Trust Funds Board, the Teachers Retirement Board, the Wisconsin Retirement Board or the Group Insurance Board, provided the relevant Board approves the Secretary's actions. In deciding whether to settle such a dispute, the Secretary would be required to consider the costs of litigation, the likelihood of success on the merits, the cost of delay in resolving the dispute, the actuarial impact on the trust fund and any other relevant factor that the Secretary deems appropriate. Provide that any monies paid under a dispute settlement would be disbursed from an off-budget appropriation account through which payments may be made from the accounts and reserves of the appropriate benefit program.

Authorize the Secretary to order the correction of errors to prevent inequity if the Secretary determines that an otherwise eligible participant has unintentionally forfeited or otherwise involuntarily ceased to be eligible for any benefits provided under Ch. 40 of the statutes principally because of an administrative error of the Department. Specify that such a decision by the Secretary would not be subject to review. Require the Secretary to submit a quarterly report to the ETF Board on decisions made to correct administrative errors.

[Act 16 Sections: 1392 and 1393]

4. PARTICIPANT SERVICES STAFFING INCREASES [LFB Paper 411]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
SEG	\$687,800	8.00	-\$14,500	0.00	\$673,300	8.00

Governor: Provide \$376,400 in 2001-02 and \$311,400 in 2002-03 and 8.0 positions in the Member Services Bureau to improve the agency's response time in scheduling pre-retirement counseling sessions, preparing retirement benefit estimates, executing purchase of service requests and processing disability and survivor's benefits applications. The proposed funding would be used to: (a) support the conversion of 4.0 expiring project positions to permanent status at the beginning of the 2001-02 fiscal year (\$155,700 annually); (b) support 4.0 new

positions (\$116,700 in 2001-02 and \$155,700 in 2002-03); and (c) provide one-time funding for IT equipment, software and modular furniture for all the positions (\$104,000 in 2001-02).

Joint Finance/Legislature: Delete \$14,500 in 2001-02 to reflect the fact that certain IT-related printer costs will not actually be incurred for these new positions (\$11,500) and existing system furniture can be used to offset some of the new permanent property needs requested (\$3,000).

5. CUSTOMER CALL CENTER ENHANCEMENTS [LFB Paper 412]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
SEG	\$622,000	6.50	-\$32,000	0.00	\$590,000	6.50

Governor: Provide \$308,000 in 2001-02 and \$314,000 in 2002-03 and 2.0 permanent and 4.5 two-year project positions for additional enhancements to the agency's customer service call center. The call center provides a single telecommunications point of contact between WRS participants, annuitants and employers and the appropriate member services and administrative staff in ETF. The proposed funding would be used to: (a) convert 2.0 expiring positions to permanent status at the beginning of the 2001-02 fiscal year (\$77,700 annually); (b) extend 4.5 expiring project positions for another two years (\$175,300 annually); (c) support ongoing call center software enhancements (\$25,000 annually) and (d) fund DOA InfoTech charges (\$30,000 in 2001-02 and \$36,000 in 2002-03).

Joint Finance/Legislature: Delete \$16,000 annually of salary and fringe benefits funding to reflect the reallocation of excess base level funding that is available to offset a portion of the costs of the new positions. Provide a total of 4.0 permanent and 2.5 two-year project positions annually for call center staffing, rather than 2.0 permanent and 4.5 two-year project positions.

6. ELECTRONIC DOCUMENT ACCESS ENHANCEMENTS

SEG	\$575,800
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Governor/Legislature: Provide \$287,900 annually to fund direct access storage device (DASD) technology for the agency's electronic records. The DASD technology would reduce the amount of retrieval time required to access any of the agency's more than 10.4 million pages of files maintained on an electronic imaging system.

7. RETIRED EMPLOYEES BENEFIT SUPPLEMENT REESTIMATE [LFB Paper 413]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$2,208,900	-\$741,900	-\$2,950,800

Governor: Reestimate base level funding by -\$837,000 in 2001-02 and -\$1,371,900 in 2002-03 to reflect the decreased amounts expected to be required for the payment of benefit supplements to retirees who first began receiving WRS annuities before October 1, 1974. These supplements were authorized primarily by Chapter 337, Laws of 1973, 1983 Wisconsin Act 394 and 1997 Wisconsin Act 26. The reestimate is due to a declining number of retirees eligible for these supplements because of deaths. Current base level funding for the appropriation is \$4,986,500.

Joint Finance/Legislature: Decrease estimated expenditures by \$215,400 in 2001-02 and \$526,500 in 2002-03 to reflect updated projections of the amount of benefit supplements to be paid to eligible annuitants.

8. GROUP INSURANCE BOARD AUTHORITY TO MODIFY OR EXPAND STATE EMPLOYEE GROUP INSURANCE COVERAGE [LFB Paper 414]

Governor: Authorize the Group Insurance Board to enter into an agreement to modify or expand group insurance coverage in a manner that materially affects: (a) the level of premiums required to be paid by the state or its employees; or (b) the level of benefits to be provided under any group insurance coverage, if the modification or expansion would reduce the costs incurred by the state in providing group health insurance to state employees.

This proposed modification would be created as an express exception to the current law requirement that the Group Insurance Board may not enter into any agreements to modify or expand group insurance coverage in a manner that materially affects the level of premiums required to be paid by the state or its employees or the level of benefits provided under any group insurance plan.

Joint Finance/Legislature: Delete provision.

9. QUALIFIED TRANSPORTATION BENEFIT PROGRAM FOR STATE EMPLOYEES

Governor/Legislature: Authorize the ETF Board to offer to state employees an employee-funded reimbursement account that may be used to pay for certain future transportation expenses of the employee, as authorized under section 132 of the federal Internal Revenue Code (IRC). Include reference to the new plan under the current statutory definition of an employee-funded reimbursement account plan, authorize the ETF Board to maintain separate employee accounts for each state employee participating in the qualified transportation benefit program and authorize the payment from the appropriate accounts of the administrative costs incurred by the transportation expense reimbursement account plan provider.

The federal Energy Policy Act of 1992, as further modified by the Taxpayer Relief Act of 1997, amended s. 132(f) of the IRC to allow employees to set aside some of their pre-tax income

to pay for eligible transportation expenses related to employment. Three types of qualified transportation benefits are available: (a) parking expenses at or near the employer's business premises or at or near a location from which the employee commutes to work by car pool, commuter highway vehicle or mass transit facilities; (b) transit passes, tokens, fare cards, vouchers or similar items entitling an employee to ride, free of charge or at a reduced rate; and (c) van pool expenses incurred in a commuter highway vehicle (a vehicle seating at least six adults and a driver with at least 80% of its mileage used for employee commuting purposes).

Employees may exclude from gross income (and thereby forego taxation on the excluded amounts) a maximum of \$65 per month for the value of employer-provided transit passes or van pool expenses in tax year 2001. Beginning in tax year 2002 and thereafter, this amount will be increased to \$100 per month. In addition, employees may exclude up to \$180 per month from gross income for the value of employer-provided parking in tax year 2001. Both of these maximums are subject to annual inflation adjustments.

State employees participating in a qualified transportation benefits program would derive a benefit from its operation in the form of federal and state income tax and Social Security contribution savings on the amounts placed in the pre-tax account. The state, as employer, would also realize savings by virtue of the fact that the amounts placed in the pre-tax reimbursement account by the employee would not be subject to the current 7.65% employer Social Security contribution requirement, resulting in increased lapses from budgeted fringe benefits amounts. There would also be some small state income tax collection loss from the amounts that employees place in the pre-tax accounts and exclude from state taxation. No estimate is currently available with respect to the amounts that might be allocated to pre-tax transportation benefit reimbursement accounts and the resulting potential state fringe benefits savings or state income tax collection losses.

Upon enactment, these provisions would immediately apply to nonrepresented state employees. Represented state employees would only be eligible for the new qualified transportation benefit to the extent permitted by collective bargaining agreements.

[Act 16 Sections: 1388, 1389, 1396, 1397, 1398, 1399 and 1400]

10. ADDITIONAL RESOURCES FOR 1999 WISCONSIN ACT 11 IMPLEMENTATION COSTS [LFB Paper 415]

	Funding	Positions
SEG	\$1,600,000	20.00

Joint Finance/Legislature: Extend, for another two years until July 1, 2003, the sunset date of the agency's biennial appropriation that funds the costs associated with planning for the implementation of major retirement benefits improvement legislation (1999 Wisconsin Act 11). The implementation of Act 11 has been delayed pending a review by the Wisconsin Supreme Court on the legality of several of the principal provisions of the legislation. (The Court upheld the constitutionality of Act 11 on June 12, 2001.) Provide \$1,600,000 in 2001-02 and authorize 20.0 two-year project positions to implement the provisions of Act 11, following the Wisconsin Supreme Court decision. Budget these funds in unallotted

reserve for release to ETF by DOA, based on the decision's workload impact on the Department and ETF's actual need for the funds.

[Act 16 Sections: 910q, 910r and 9416(1mk)]

11. GROUP HEALTH INSURANCE OMBUDSPERSON POSITION [LFB Paper 416]

	Funding	Positions
SEG	\$97,300	1.00

Joint Finance/Legislature: Provide \$44,100 in 2001-02 and \$53,200 in 2002-03 and authorize 1.0 ombudsperson position to provide the agency with a second ombudsperson to address a growing volume of group health insurance-related complaints and complaint backlogs.

12. FUNDING FOR ACCUMULATED SICK LEAVE CONVERSION CREDITS FOR CERTAIN RETIRED STATE EMPLOYEES [LFB Paper 417]

GPR	- \$10,800
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Joint Finance/Legislature: Repeal an appropriation that funds post-retirement health insurance costs for certain individuals hired as National Guard technicians prior to 1966 who also retired from state service prior to May 3, 1996, and delete base level funding of \$5,400 annually.

The post-retirement sick leave credits that were granted to a small number of WRS retirees by 1995 Wisconsin Act 240 to fund post-retirement health insurance costs have now been completely exhausted. The last payment from a special GPR-funded sum sufficient appropriation created to support the benefit was made during the 1999-00 fiscal year. No additional payments will be made from this appropriation.

[Act 16 Sections: 910m and 1398m]

13. PRIVATE EMPLOYER HEALTH CARE COVERAGE PROGRAM STAFF FUNDING

	Jt. Finance (Chg. to Base)	Legislature (Chg. to JFC)	Veto (Chg. to Leg)	Net Change
GPR	\$211,100	\$850,000	- \$850,000	\$211,100

Joint Finance: Provide \$211,100 in 2001-02 for salaries, fringe benefits and associated supplies and services for the current staff of the Private Employer Health Care Coverage program.

This program is authorized 3.5 FTE positions of which 2.5 FTE are currently filled. There is no base level funding budgeted to the agency to support these positions during the 2001-03

biennium. Of the amounts provided to support the 2.5 FTE filled positions in 2001-02 only, \$163,700 would support salary and fringe benefits costs and \$47,400 would fund the associated supplies and services costs for the program.

Senate: Provide \$1,000,000 in 2001-02 and \$264,800 in 2002-03 for the Private Employer Health Care Coverage program to support: (a) legal and actuarial consulting services and marketing and promotional activities for the program (\$1,000,000); and (b) salaries, fringe benefits and associated supplies and services costs for 3.5 FTE existing staff in the Department's Office of Private Employer Health Care Coverage (\$264,800). Stipulate that before the funds could be used for legal and actuarial services and for marketing and promotional activities, the Department would be required to seek additional funding from the federal government, foundations and other private sources. Specify that any of the GPR-funded amounts expended for legal and actuarial services and for marketing and promotional activities must be reimbursed from program fees by June 30, 2007.

Include the following statutory modifications to the program:

- a. Authorize ETF to subcontract both marketing and maintenance of a toll-free telephone number through the administrator;
- b. Authorize the Private Employer Health Care Coverage Board to determine the manner in which rates will be made available to employers and employees and delete the requirement for annual publication of the rates;
- c. Clarify that the minimum number of hours an employee must work to be eligible for coverage under the program is 30 hours per week, unless individual health plans agree to a lower standard;
- d. Clarify that the minimum employer contribution toward coverage will be 50% of the lowest single premium rate available for that employee's coverage; remove the requirement that employers pay no more than 100% of the lowest cost plan's premium;
- e. Clarify that agents must be "listed" with each health plan offering coverage under the program and authorize the Board to establish additional agent training requirements;
- f. Remove the requirement to display agent commissions on the first page of policies sold under the program; and
- g. Specify that for coverage issued on or after January 1, 2002, the insurance rates charged to small employers with similar case characteristics for the same or similar benefit designs may not be different.

Assembly: Direct the State Life Fund to make a loan of \$850,000 to the general fund no later than the first day of the second month following the general effective date of the biennial budget act. The fiscal effect of this loan is reflected in the general fund condition statement.

Provide \$850,000 in 2001-02 to the Private Employer Health Care Coverage program to support general program operations.

Stipulate that interest on the loan would accrue at the same rate earned by the state on its deposits in the State Investment Fund during the period of the loan. Specify that the loan would be repaid from monies lapsed from the program's general program operations appropriation at the end of the 2001-03 biennium, if any, and from monies lapsed from small employer payments credited to the program. Specify that funds would be lapsed from this appropriation when the Secretary of DOA, in consultation with the Private Employer Health Care Coverage Board, determines that sufficient funds are available. Specify that the funds lapsed would be equal to the principal and interest costs, less any lapses from the program's general program operations appropriation that were previously made. Authorize the Secretary to make installment payments. Specify that if insufficient monies can be lapsed from the program's appropriations to repay the loan after a reasonable period of time, the Secretary would be authorized to transfer monies from the general fund to repay the State Life Fund.

Include the following statutory modifications to the program:

a. Authorize ETF to promulgate rules, with the approval of the Board, on the administration of the program;

b. Modify the current definition of "small employer," as it is used for the purpose of determining eligibility for policies issued to such employers under Chapter 635 of the statutes. Define such employers as those that employ at least two but not more than 50 "eligible employees" (rather than the current law "employees"). Define an "eligible employee" for this purpose as a person who works on a permanent basis more than 30 hours a week, including a sole proprietor, a business owner, owner of a farm business, a partner of a partnership and a member of a limited liability company (if the sole proprietor, business owner, partner or member is included as an employee for health insurance purposes). An eligible employee would not be deemed a person who works on a temporary or substitute basis.

c. Authorize ETF to subcontract both marketing and maintenance of a toll-free telephone number through the administrator;

d. Direct the Private Employer Health Care Coverage Board to publish each year the current new business premium rates for small employers. Direct the Board to submit an annual report to the appropriate standing committees of the Legislature specifying the average insurance rate for health care coverage under the program by county or other regional factor;

e. Specify that an employer may offer coverage under the program to part-time employees, to the extent authorized by the insurer;

f. Clarify that an employer must offer coverage to at least 50% of its eligible employees;

g. Clarify that the minimum employer contribution toward coverage will be 50% of the lowest single premium rate available for that employee's coverage and remove the requirement that employers pay no more than 100% of the lowest cost plan's premium;

h. Specify that ETF, in consultation with the Board, may limit the current "guaranteed issue" program requirement that an insurer must provide coverage to any employer enrolling in the program and must insure the employer's employees without regard to health condition or claims experience by imposing any of the current law limits on issuance that currently apply under the small insurer health insurance statute [Chapter 635];

i. Clarify that agents must be "listed" with each health plan offering coverage under the program and authorize the Board to establish additional agent training requirements for agents; and

j. Delete "occupation" from the case characteristics of the employees of an employer that are used by small employer insurers to determine premium rates for a small employer. Such characteristics are not currently subject to rate banding. Occupation would become a risk characteristic that would be subject to current rate banding limitations. Current law limits variation of insurance rates based on risk to no more than 35% above or below the midpoint for premiums on a policy for a group with similar case characteristics and benefit plan design.

Provide that these rate provisions would first apply on the first day of the 13th month following the general effective date of the biennial budget act.

Conference Committee/Legislature: Include Assembly provisions with the following modifications: (a) stipulate that the \$850,000 loan from the State Life Fund would be interest-free; and (b) specify that the premium rates charged to small employers with similar case characteristics for the same or similar benefit design characteristics could not vary by more than 10%, rather than the current 35%, above or below the midpoint premium rate for such policies, first effective on the first day of the 13th month following the general effective date of the biennial budget act.

Veto by Governor [E-25]: Delete the provisions that:

a. Direct the State Life Fund to make an interest-free loan of \$850,000 to the general fund no later than the first day of the second month following the general effective date of the bill and provide \$850,000 in 2001-02 to the Private Employer Health Care Coverage program to support its general program operations;

b. Require that the loan be repaid from monies lapsed from the program's general program operations appropriation at the end of the 2001-03 biennium, if any, and from monies lapsed from small employer payments credited to the program; direct that the funds be lapsed

from this appropriation when the Secretary of DOA, in consultation with the Private Employer Health Care Coverage Board, determines that sufficient balances are available; specify that the funds lapsed equal the amounts necessary to repay the loan, less the amount of any previous lapses from the program's general program operations appropriation; and authorize the Secretary to make installment payments on the loan from the program's appropriation or to transfer monies from the general fund to repay the State Life Fund, if insufficient monies are available from the program's appropriations to repay the loan after a reasonable period of time;

c. Specify that the insurance premium rates charged to small employers with similar case characteristics for the same or similar benefits may not vary by more than 10%, rather than the current 35%, above or below the midpoint premium rate for such insurance policies, first effective for policies issued or renewed on the first day of the 13th month following the general effective date of the bill; and

d. Modify the current definition of "small employer," to mean an employer that employs at least two but not more than 50 "eligible employees" (newly defined to mean an employee that works on a permanent basis and has a normal workweek of 30 or more hours).

[Act 16 Sections: 1391h, 1400b thru 1400m, 3766e, 3766f thru 3766j, 9327(3q) and 9427(3q)]

[Act 16 Vetoed Sections: 395 (as it relates to s. 20.515(2)(a)), 910t, 1400mm, 3741amb, 3766ec, 3766ef, 3766em, 9327(3q)(a) (as it relates to the treatment of s. 635.05(1) of the statutes) and 9427(3q) (as it relates to the treatment of s. 635.05(1) of the statutes)]

14. ESTABLISHING A PRESUMPTION OF EMPLOYMENT-RELATED DISEASE FOR STATE AND COUNTY FIREFIGHTERS

Joint Finance/Legislature: Extend to state and county firefighters a presumption of employment-related heart or lung disease or cancer, for the purposes of claiming duty disability or death benefits that under current law are provided to municipal firefighters.

Under current law, if a municipal firefighter claiming a benefit due to cancer has served 10 or more years as a firefighter and a qualifying medical examination was given at the time of initial employment as a firefighter and no cancer was found at the time, the finding is deemed presumptive evidence that the cancer was caused by his or her employment as a firefighter. Similarly, if a municipal firefighter claiming a benefit due to heart or respiratory impairment has served five or more years as a firefighter and a qualifying medical examination was given at the time of initial employment as a firefighter and no heart or respiratory impairment was found at the time, the finding is deemed presumptive evidence that the heart or respiratory impairment was caused by his or her employment as a firefighter.

Based on an estimated 484 state firefighters that would be subject to this provision, additional employer-paid duty disability premium payments of \$81,500 GPR and \$99,500 (all

other funds) annually would be anticipated. No additional funding would be provided to agencies; consequently, any increased fringe benefits costs for premium payments would have to be funded from base level resources. To the extent that an agency had insufficient base level fringe benefits funding to support these costs, the agency could be supplemented from compensation reserves.

It is estimated that that there are 20 county firefighters that would be subject to these provisions. County employers with such personnel would likely incur additional fringe benefits costs of between 0.4% and 1.0% of payroll, depending on the prior claims experience of their current employees covered by the duty disability benefit program.

[Act 16 Sections: 3862c, 3862h, 3862p, 3862t and 9316(1m)]

15. LAPSE OF WRS CONTRIBUTION CREDIT BALANCES ATTRIBUTABLE TO GPR-FUNDED SALARIES DUE TO 1999 WISCONSIN ACT 11

GPR-Lapse	
2000-01	\$15,914,400
2001-02	9,942,800

Senate/Legislature: Increase GPR-Lapse amounts by an estimated \$15,914,400 in 2000-01 and by an estimated \$9,942,800 in 2001-02 to reflect the distribution by the Department of a credit balance due to the partial WRS "contribution holiday" provisions of 1999 Wisconsin Act 11. The fiscal effect of these lapses is reflected in the general fund condition statement, with the amounts attributable to 2000-01 serving to increase the general fund opening balance for the 2001-03 fiscal biennium.

These credit balance amounts represent funds that have already been budgeted to state agencies as part of their regular fringe benefits costs that will not now be expended. These unexpended fringe benefits amounts will lapse to their respective source funds. This provision reflects the recognition of the lapse amounts attributable to GPR-funded salaries.

16. TRANSFER TO THE GENERAL FUND OF WRS CONTRIBUTION CREDIT BALANCES ATTRIBUTABLE TO CERTAIN PR- AND SEG-FUNDED SALARIES DUE TO 1999 WISCONSIN ACT 11

GPR-REV	\$22,194,300
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Assembly/Legislature: Direct the Secretary of DOA to determine for each state agency, other than for DOT, ETF and the State of Wisconsin Investment Board, the amounts credited by ETF to each agency's nonfederal PR, PR-S, SEG and SEG-S appropriations during the 2000-01 and the 2001-02 fiscal years in order to implement a partial WRS contribution payment holiday for employers authorized under 1999 Wisconsin Act 11. In making the calculation, direct the Secretary of DOA to determine the amounts credited by ETF for the payment of contributions under the WRS for 2000-01 and for 2001-02.

During the 2001-02 fiscal year, direct the Secretary of DOA to transfer from each affected state agency's nonfederal PR and PR-S appropriations to the general fund the amounts calculated. Similarly, direct the Secretary to transfer from each affected agency's nonfederal SEG and SEG-S appropriations to the appropriate segregated fund the amounts calculated. After making this transfer, direct the Secretary to transfer from the appropriate segregated funds to the general fund an amount equal to the amounts calculated. It is anticipated that \$22,194,300 would be transferred to the general fund in 2001-02 from agency PR and SEG accounts and funds. A separate provision under Transportation requires DOT to lapse \$3,530,800 in 2001-02 of Act 11 credits from the agency's SEG, SEG-S, PR and PR-S appropriations to the transportation fund.

[Act 16 Section: 9101(23q)]

17. REQUIRED MINIMUM MONTHLY CONTRIBUTION BY STATE EMPLOYEES TO GROUP HEALTH INSURANCE PREMIUMS

Assembly: Require each insured state employee under the state group health insurance program to contribute \$5 per month (and the balance of any other required premium amounts) after applying the required employer contribution amounts, if any.

Under current law, the state contributes an amount equal to 90% of the monthly premium cost of the Standard Plan or 105% of the premium cost of the lowest cost alternative health care plan (but not more than the total amount of the remaining premium), whichever contribution amount is less. Initially, the provision would apply only to nonrepresented state employees. The provision would apply to represented employees only to the extent provided under applicable collective bargaining agreements.

It is estimated that there are 25,311 FTE nonrepresented state employees. No information is available on the number of such employees who currently pay less than \$5 per month for state group health insurance coverage. However, if \$5 per month were collected from all nonrepresented employees, the maximum amount collected would be \$1,518,700 annually. These employee contribution amounts would offset state group health insurance premium contribution payments from state agency budgeted costs in their fringe benefits lines. Since health insurance premiums are typically paid two months in advance, there would be only 10 months of \$5 per month payments in 2001-02. The maximum amounts that could be lapsed are estimated at \$581,700 GPR, \$157,700 FED, \$426,700 PR and \$99,400 SEG in 2001-02 and \$698,100 GPR, \$189,300 FED, \$512,100 PR and \$119,200 SEG in 2002-03.

Conference Committee/Legislature: Delete provision.

18. ESTABLISHMENT OF A UNIFORM STATUTORY 5% EMPLOYEE-REQUIRED CONTRIBUTION RATE FOR ALL CLASSIFICATIONS OF WRS PARTICIPANTS

Assembly: Repeal the requirement that any annual WRS contribution rate increase or decrease be apportioned equally between the statutory employee-required contribution rate (or benefit adjustment contribution rate, if any) and the employer-required contribution rate. Repeal the requirement that general classification participants and protective classification participants (with Social Security coverage) are subject to the payment of a benefit adjustment contribution that is credited to the employer accumulation account. Delete a provision prohibiting the state, as employer, from bargaining to pay any increase to the benefit adjustment contribution rate due to the apportionment of costs that would normally be payable by the employee. Instead, establish a uniform employee-required contribution rate of 5.0% for all classifications of WRS participants, first effective for contributions made on and after January 1, 2002.

Under this proposed change: (a) the amount of the employee-required contribution rate would remain invariable from year to year, while the amount of the employer-required contribution rate, net of investment earnings, would become subject to the full amount of any contribution rate increase or decrease necessary to fully fund the System's current year revenue requirements; (b) the remaining benefit adjustment contributions for general classification participants (currently 0.2% of payroll) would become part of the overall employer-required contribution rate; (c) employees would cease to be liable for any out-of-pocket contribution payments as may now occur once required contributions exceed a certain percentage of payroll; and (d) the value of WRS benefits that are determined by the amount of employee-required contributions (that is, separation benefits, death benefits and money purchase benefits) would be increased for those employee classifications where the current employee-required contribution rates have fallen below 5.0% (elected and state executive classification participants, protective classification participants with Social Security coverage and protective classification participants without Social Security coverage).

Currently, more than 99.6% of the combined total of all employee- and employer-required contributions are actually paid by the employer. Consequently, these proposed adjustments would likely have only a negligible contribution rate impact on those few local employers who do not fully pay all employee-required contributions on behalf of their employees. The principal effect of the proposal will be to realign the amount of employer-paid contributions being credited respectively to employee accumulation accounts and to the employer accumulation account. Under this proposed change, the impact of any future contribution rate increases or decreases will be borne entirely by the employer.

Conference Committee/Legislature: Delete provision.

19. ANNUAL ENROLLMENT OPTION PROVIDED FOR PARTICIPANTS IN THE ACCUMULATED SICK LEAVE CONVERSION CREDIT PROGRAM

Assembly/Legislature: Direct ETF to establish an annual enrollment period during which a retired state employee or surviving insured dependent may elect to initiate or delay continuation of deductions from the retired employee's accumulated sick leave conversion credit account. Specify that the retired employee or surviving insured dependent may elect to continue or delay continuation of the deduction any number of times, but stipulate that rejoining the program may occur only during the annual enrollment period. Provide that if deductions have been initiated and are subsequently suspended, the retired employee or surviving insured dependent would have to be covered by a comparable health insurance plan or policy during the period of the suspension to the date that deductions from the accumulated sick leave conversion credit account are resumed. A health insurance plan or policy would be deemed comparable if it provided hospital and medical benefits substantially similar to those provided under the state Standard Plan coverage. Delete a conflicting statutory provision that would authorize certain retired employees or surviving insured dependent to make a single election to delay or suspend deductions from their accumulated sick leave conversion credit account.

Under current law, state employees may accumulate unused sick leave, and the amount of that unused sick leave may be converted at retirement into credits for payment of post-retirement health insurance premiums. Upon retirement, a former state employee may continue his or her state group health insurance coverage, but the entire monthly cost of the premiums must be paid by the retiree. Under the accumulated sick leave conversion credit program, a state employee may convert the total value of his or her unused sick leave into a "credit" amount that is available to the annuitant for payment of the premium costs of the continued health insurance coverage. The amount of the credit is determined by multiplying the number of hours of regular and supplemental unused sick leave at retirement by the employee's final hourly base rate of pay. Under current law, a retiree may delay the initiation of deductions from the resulting credit account only once after retirement.

[Act 16 Sections: 1398s thru 1398u and 3095r]

20. ACCUMULATED SICK LEAVE CONVERSION CREDIT PROGRAM STUDY

Assembly/Legislature: Direct the Joint Survey Committee on Retirement Systems to study the issue of allowing participants who have terminated covered employment under the WRS after 25 years of creditable service but who are not yet eligible to receive an WRS annuity upon termination to be able to convert their accumulated unused sick leave into credits for the payment of health insurance premiums on the date on which ETF receives the person's application for a WRS annuity or lump sum payment. Direct ETF and DER to provide any information requested by the Joint Survey Committee on Retirement Systems. Require the Joint Survey Committee to report its findings and recommendations to DER by January 1, 2002. No

later than 30 days after receiving these results and recommendations, require DER to submit proposed legislation incorporating the recommendations of the Joint Survey Committee to the Joint Committee on Employment Relations.

Under current law, with limited exceptions applicable to state elected and certain appointed state officials, a person who terminates state service before attaining the minimum age for retirement from the WRS will forfeit his or her accumulated sick leave.

[Act 16 Section: 9132(3xx)]

21. AUTHORIZE LIMITED-TERM EMPLOYEE PARTICIPATION IN THE STATE DEFERRED COMPENSATION PROGRAM

Assembly/Legislature: Authorize limited-term employees (LTEs) to participate in the state deferred compensation program offered by ETF. Under current law, all fringe benefits, other than those that are expressly enumerated, are denied to LTEs. Currently, LTEs are eligible only for the following fringe benefits coverage: worker's compensation, unemployment insurance, group insurance, retirement and Social Security.

[Act 16 Section: 3072h]